

EXCELLENT PRELIMINARY SEMI-ANNUAL RESULTS OF PHARMACEUTICAL COMPANY JGL

Double-digit growth despite the pandemic crisis

Rijeka, July 27, 2020 - In the first half of this year, JGL's pharmaceutical business continued its trend of growth in revenue and operating profitability. Namely, JGL Pharma's operating revenues, in accordance with preliminary, consolidated results, reached a record 355 million HRK, which is a growth of 16 percent, all this in difficult business conditions due to the Covid-19 virus pandemic that led to a sharp slowdown in demand in the second quarter. However, even in these circumstances JGL managed to achieve double-digit growth and grow faster than the market. This result is all the greater, given the recorded decline in sales in Russia and Croatia, JGL's two largest markets.

This is a great result because it shows how we have managed to build a large enough and growing business in Ukraine, Kazakhstan, BiH, Belarus and B2B markets, and thus reduce dependence on a single market. Russia remains our largest market, where we generated 33 percent of revenue in the first half of this year, which is a decline from 39 percent of last year's share. What makes us especially happy is the growth in the B2B business by as much as 87 percent. This confirms the competitiveness of JGL on the European scene and provides a very important source of new income, in which we do not have the risk of exchange rate differences. Double-digit growth was achieved by all key brands of the company, from Vizol S, which is growing over 70 percent, to Aqua Maris, Meralys, Acnecutan and Folacin.

At JGL, we also continue to reduce debt and indebtedness, despite the financial shock of the pandemic. At the end of the first half of the year, the indebtedness factor (net debt / EBITDA) was further reduced from 2.8x at the end of 2019, to 2.2x.

Given that we had strong revenue growth, and at the same time we controlled costs well, in the first half of 2020 we increased operating profitability (EBITDA margin) from 13.5 to 17.7 percent. Increase profitability by 4 percent p.p. is a truly extraordinary result. At the same time, we had a negative impact on exchange rate differences in the amount of HRK 15.5 million. With excellent sales results and efficient cost management, we were able to recoup a big part of that cost.

In the second half of the year we will continue with the same business strategy, which includes even faster and more focused adaptation to customer needs, sales and exports, as well as further expansion of cooperation in key therapeutic segments of ophthalmology and otorhinolaryngology.

The largest investments will be directed towards JGL's Aqua Maris and Meralys portfolio for prevention and hygiene in the upcoming season of colds, flu and viruses. Also, given that the new circumstances of living and working increasingly connect us to stay indoors, air-conditioned, in front of various electronic screens, we predict an increase in demand of our high-quality preservative-free solutions for dry and red eye problems - Vizol S.

Operating revenues at the Group level, including the pharmacy part of the business through ZU Pablo and the dietetics and cosmetics segment through Adrialab, in the first half of 2020 also recorded 16 percent growth and reached HRK 453 million. JGL Group's operating profit (EBITDA) amounts to HRK 71 million, which is an increase of 54 percent compared to the first six months of last year, while profit before tax is HRK 28 million.